

1 IN THE UNITED STATES DISTRICT COURT

2 IN AND FOR THE DISTRICT OF DELAWARE

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4 ON SEMICONDUCTOR CORPORATION, and : CIVIL ACTION
5 SEMICONDUCTOR COMPONENTS INDUSTRIES, :
6 LLC, Plaintiff, :
7 v :
8 :
9 POWER INTEGRATIONS, INC., : : NO. 17-247-LPS
10 Defendant. :
11 - - -

12 9 Wilmington, Delaware
13 Friday, July 26, 2019
14 10 *Claim Construction Hearing*

11 - - -

12 BEFORE: HONORABLE LEONARD P. STARK, Chief Judge

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14 APPEARANCES:

15 14 ASHBY & GEDDES, P.A.
16 BY: JOHN G. DAY, ESQ.

17 and

18 17 BAKER BOTTS, LLP
19 BY: ROGER FULGHUM, ESQ.
20 (Houston, Texas)

21 and

22 20 MORRISON & FOERSTER, LLP
23 BY: COLETTE REINER MAYER, ESQ.
24 (Palo Alto, California)

25 22 Counsel for Plaintiff

23
24 Brian P. Gaffigan
25 Registered Merit Reporter

1 APPEARANCES: (Continued)

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3 FISH & RICHARDSON, P.C.

4 BY: WARREN K. MABEY, JR., ESQ., and
JOSEPH WARDEN, ESQ.

5 and

6 FISH & RICHARDSON, P.C.

7 BY: HOWARD G. POLLACK, ESQ.,
(Redwood City, California)

8 Counsel for Defendants

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PROCEEDINGS

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(REPORTER'S NOTE: The following telephone
conference was held in chambers, beginning at 3:00 p.m.)

1 THE COURT: Good afternoon, everybody. This is
2 Judge Stark. Who is there, please?

3 MR. DAY: Good afternoon, Your Honor. On behalf
4 of the plaintiff, ON Semiconductor this is John Day at Ashby
5 & Geddes. With me on the line are Colette Mayer from
6 Morrison and Foerster, Roger Fulghum from Baker & Botts, and
7 Josh Engel from ON Semiconductor. Ms. Mayer plans to handle
8 the motion for ON semiconductor.

9 THE COURT: Okay. Thank you.

10 MR. MABEY: Good afternoon, Your Honor. Warren
11 Mabey from Fish & Richardson on behalf of Power
12 Integrations. With me on the line are Howard Pollack and
13 Joseph Warden, also from Fish.

14 THE COURT: Okay: And I, of course, have my
15 court report here with me. For the record, this is our case
16 of ON Semiconductor Corporation, et al versus Power
17 Integrations, Inc., Civil Action No. 17-247-LPS.

18 This is the time I set to hear some argument on
19 the pending motion by the plaintiff to partially stay the
20 case pending IPR. So we will hear from ON first, so I guess
21 that would be Ms. Mayer. You may proceed when you are ready.

22 MS. MAYER: Good afternoon, Your Honor.

23 So I think we don't have much to add in our
24 brief than what we put forward in our brief. I'll just go
25 through the major points of why we think these patent claims

1 should be stayed and why it will result in a significant
2 reduction of complexity for the jury in this case.

3 These two patents are asserted against a set of
4 105X products, it's called that has nothing to do with any
5 other patents in this case except for these two patents. ON
6 doesn't claim that the 105X products practice the patents it
7 is asserting and POWI doesn't assert any of the infringement
8 of any of the other patents in this case.

9 It is a different architecture than the other
10 products in this case and the patents are also a different
11 technology. There are different witnesses for these
12 patents. There are, there is a different development, set
13 of development facts as the products that is accused of
14 infringement came from Motorola originally. So it's a
15 different development story than the other products in
16 this case.

17 Given that the Patent Office has now instituted
18 IPR proceedings on all of the asserted claims in this case,
19 and given that damages is now fixed, these patents are both
20 expired, and the damages demand is less than \$30,000 for
21 these two patents, we think that it would result in
22 significant simplification for the parties on both sides in
23 terms of presentation of the facts to the jury and there is
24 very little prejudice to Power Integrations.

25 The likelihood that some or all of the patent

1 claims here will be invalidated is pretty high. There are
2 two separate independent bases for which the Patent Office
3 had already found that there is a reasonable likelihood of
4 proving unpatentability of all the claims. And,

5 Finally, in POWI's opposition there is much
6 about a second trial. In the event, the unlikely event we
7 view it, that these patent claims were to come back, ON
8 would offer a Rule 68 judgment or possibility of a bench
9 trial, but I don't think that there is a reasonable chance
10 that the parties are going to go to trial over \$30,000 in
11 damages. So I think that the possibility of a second trial,
12 while the points that POWI makes of course of a second trial
13 is always more burden than having two trials, it's just
14 highly unlikely under these circumstances that there will
15 ever be a second trial.

16 THE COURT: Okay.

17 MS. MAYER: For those reasons, we would ask that
18 the Court stay the claims on these two patents.

19 THE COURT: Okay. Thank you. Let me hear from
20 Power Integrations then.

21 MR. WARDEN: Good afternoon, Your Honor. This
22 is Joseph Warden. I'll be addressing this for Power
23 Integrations.

24 Let me start with where Ms. Mayer ended, which
25 is the likelihood of a second trial. We think it is

1 actually a substantial likelihood of needing a second trial.
2 Although the Patent Office has instituted IPR on these
3 patents, there are four different petitions; and I think as
4 we note in our opening brief, if we just look at the Patent
5 Office statistics that on itself cited the likelihood all
6 claims will be invalidated and that the Federal Circuit
7 would affirm on all claims is something less than one in 20.
8 So in all likelihood, at least some of these claims are
9 going to emerge from the IPR process, and so then that puts
10 us in a situation where what otherwise would have been one
11 trial has now been turned into two trials. And as we note
12 in our brief, even that first trial is not significantly
13 simplified.

14 Let me address a few of the issues that Ms.
15 Mayer made.

16 One point was that there would be different
17 witnesses. As the parties briefing seems to agree, there
18 would only be one different witness. If the two patents are
19 stayed, and not included in the first trial, it's only
20 Mr. Hall from ON that would not come as a witness. All of
21 the expert witnesses would be the same. All of the other
22 fact witnesses would be the same. So what we would be
23 talking about is only shortening the testimony of witnesses
24 who are already going to have to show up on this trial and
25 would likely have to show up for a second trial.

1 Related to that point is even within the
2 testimony of those witnesses, we don't believe that there
3 will be a substantial shortening of the testimony that they
4 have to give. We do agree that the 105X products that are
5 accused of infringing the '788 and '475 patents are not
6 accused of infringing other products but they are still
7 similar kinds of products. These are all power supply
8 control chips.

17 So there is not going to be a whole new sort of
18 educational process for the jury. It's going to be some
19 limited additional testimony explained to them how these
20 different patents do things in a slightly different way;
21 and, again, by all the same witnesses.

22 I also want to note that Ms. Mayer says at the
23 end that we will have only \$30,000 of damages and it's
24 highly unlikely the parties would choose to go to trial for
25 a second time for \$30,000 of damages. That may be true, but

1 in our view, this is actually one of the reasons why Power
2 Integrations would be severely prejudiced by a stay.

3 As the Court knows, this is part of an ongoing
4 dispute that has been going on for 15 years between ON and
5 its subsidiaries, Fairchild and System General, of which
6 there have been a number of Power Integrations patents
7 that have been infringed. It is very important to Power
8 Integrations to defend all of its patents and to be able to
9 put a stop to infringement of any of its patents. But that
10 said, it is much more reasonable and efficient for Power
11 Integrations to pursue protection of its patent rights on
12 these two patents when it is part of one single efficient
13 trial and would be much more difficult for Power
14 Integrations to do that if it had to bring a second trial
15 for only limited damages. So in our view, the limited
16 amount of damages is actually a reason why this should be
17 included all together in a single efficient trial.

18 THE COURT: Okay.

19 MR. WARDEN: Unless the Court has any questions,
20 I think the rest of what we have to say is in our briefs.

21 THE COURT: Just a couple of questions.

22 This prospect of, if it were to come to pass, a
23 bench trial or possibly an offer of judgment, do you have
24 anything to say about those possibilities, Mr. Warden?

25 MR. WARDEN: So I don't know what the offer

1 of judgment would be. I'd be interested in seeing whether
2 they would be agreeable to say that they infringe these
3 patents, but this is not something we have seen a concrete
4 representation of. I can say that I think our view is
5 that we want a jury trial. We have a right to a jury trial
6 on our infringement claims, and that would be what we
7 would seek. And, again, we think this can be done very
8 efficiently as part of a trial that is already ready to go
9 forward. We have gone through fact discovery. We have gone
10 through expert discovery. Expert depositions are almost
11 complete.

12 So in our view, what we're talking about is
13 perhaps a small number of additional hours of testimony in
14 February rather than a whole new trial, whether it be a jury
15 trial or even a bench trial.

16 THE COURT: There is an argument in the reply
17 brief that the amount of time that would go into witness
18 preparation might be materially reduced even for those
19 witnesses that are going to have to testify in February
20 either way. Could you respond to that?

21 MR. WARDEN: So I don't think it is a substantial
22 difference other than, of course, from Mr. Hall who is the one
23 witness I think we agree would not come in February. For the
24 other witnesses, these are witnesses again who are going to be
25 largely talking about the technology of power supply controls,

1 are going to be witnesses talking about Power Integrations'
2 business and its history, its sales processes, its marketing
3 processes, and then there are going to be witnesses who will
4 be testifying about some specific technologies, but those
5 specific technologies are going to be testified about in
6 the context of already having educated the jury about power
7 supplies and power supply control chips generally; and so we
8 don't think there is substantial additional either prep time
9 or testimony time for these additional patents to be included,
10 and whatever additional time there is is vastly outweighed
11 in our view by the need to potentially have a second trial
12 which we think is a significant possibility in which all the
13 witnesses will have to come back, in which all the lawyers
14 will have to come back, in which all the educational process
15 is going to have to be done for the jury.

16 THE COURT: And then, Mr. Warden, just one more.
17 There is an assumption I think that ON is making that if no
18 claims were to emerge from the IPR, that Power would just
19 drop its District Court litigation regarding the two patents.

20 I'm not sure that you would necessarily have to
21 drop them even if you don't prevail in the IPR. Are you
22 prepared to say that their assumption is correct, that if
23 somehow all the claims were not to emerge from the IPR that
24 you definitely would not try to go forward with them?

25 MR. WARDEN: I don't think that that could be

1 said at this point. It depends in part on what the Court is
2 talking about. In the likelihood every single one of the
3 claims are invalidated in the IPR, which we think is very
4 unlikely, there is still an appeal process in the IPR and,
5 likewise, there would be an ongoing appeal process from the
6 District Court. And I think what happens with the District
7 Court litigation is a question that can't really be answered
8 until we see the way that each of those two appeal processes
9 would proceed separately. But whatever conflict there were
10 between the IPRs and the District Court I think would be
11 resolved based on the outcomes of those appeals, and I don't
12 think we can say at this point what that would be.

13 THE COURT: Okay. Thank you very much.

14 Ms. Mayer, is there anything you want to add?

15 MS. MAYER: The only point I would like to make
16 concrete, Your Honor, is that I am authorized by the client
17 to say today that we would make a Rule 68 judgment, offer of
18 judgment in the event that any claims come back. So we are
19 trying to be as concrete as possible about the ability that
20 this would not need to have a second trial. And given the
21 size of the damages here, in order to avoid a second trial,
22 we would be willing to make that commitment, if that is
23 something -- if Your Honor were inclined to grant the stay
24 with respect to these two patents.

25 THE COURT: I take it you are not willing to

1 make the offer of judgment today. You want to press forward
2 with your IPRs; correct?

3 MS. MAYER: Well, Your Honor, if the situation
4 we were put into would either complicate the trial with an
5 entirely different, a new architecture, and we think that
6 is the simplification that is happening here, so we're not
7 presenting another complicated issue to this jury in
8 February, I think we would think seriously by making a Rule
9 68 offer today if that would -- I don't know that Power
10 Integrations would accept it, but we would do that.

11 And I think there was one other point that we
12 haven't covered so far is that in light of Your Honor's
13 claim construction of two key elements, we do have what we
14 think is a very strong noninfringement argument to, so
15 strong in fact that we put Power Integrations on notice that
16 we thought that they didn't have a basis to continue with
17 their infringement claims on those two patents. So we will
18 be making a noninfringement summary judgment motion as well,
19 which is why making the offer of judgment right now is a
20 little, it's a little at odds with where we think the
21 balance of the merits lie on these two patents. But in
22 order to simplify the trial, we would consider making an
23 offer of judgment right now.

24 THE COURT: Okay.

25 MS. MAYER: I just don't know if they would

1 accept it.

2 THE COURT: Obviously. Right. Okay. Thank you
3 for that.

4 Mr. Warden, is there anything you want to add?

5 MR. WARDEN: Just briefly. As far as the offer
6 of judgment, this is not something that we've received and
7 so obviously we would need to consult with our client after
8 receiving the offer to respond to it.

9 As far as the point that Ms. Mayer made about
10 the noninfringement and their belief they have a very strong
11 noninfringement position, well, we don't agree, but if that
12 is in fact their view that they have a very strong
13 noninfringement case, it seems to me that the way they
14 should proceed is to file their motion for summary judgment
15 of noninfringement. And if they're right, then that would
16 simplify the trial by knocking these patents out on the
17 issue of noninfringement. We don't think that would be the
18 outcome, but if that is their view, that seems to be a much
19 better way to resolve this rather than stay these patents
20 and have to deal with that infringement question down the
21 line.

22 THE COURT: Okay. Is there anything else,
23 Ms. Mayer?

24 MS. MAYER: No, Your Honor. I think that in the
25 event you deny our stay motion, we will be making the

1 noninfringement motion for summary judgment.

2 THE COURT: Okay. Well, thank you. Thank you
3 both. I guess that is where we're headed because I am going
4 to deny the motion for partial stay. I do hereby deny ON's
5 motion.

6 I'll try to be brief in explaining why. It's as
7 you all know a discretionary decision. The standard is well
8 known. It's undisputed. It's set forth in both sides briefs.

9 I have looked at the factors that the courts
10 typically look to in this situation; and I find that the
11 factors do not favor the requested relief, that is, the
12 partial stay of two of Power Integrations's asserted
13 patents, the '788 and the '475.

14 First off, the requested partial stay I think
15 will not simplify the case, and I think it may make the
16 proceedings more complicated.

17 The only hope of simplification, if I grant the
18 motion, would be that we would, I take it, avoid motions
19 practice on those two patents; and I'm hearing that motions
20 practice is all but inevitable with respect to these
21 patents. So we could at least temporarily avoid that
22 practice were I to grant the relief.

23 Then the February 2020 trial would be limited to
24 at most six patents instead of eight patents and have one
25 less architecture, but I don't think that in the context of

1 this case and these parties that that is going to be very
2 much, if any, simplification.

3 The trial in February 2020, even if I grant the
4 limited relief asked for today, is going to involve all of
5 the same witnesses except for one. It's going to involve
6 six patents, which is going to be complicated. It's going
7 to be a lengthy, complex trial. It's going to be a trial.
8 It's not like you all are offering me the opportunity to
9 have no trial. That's not on the table.

10 I'm not persuaded that the length of the trial
11 would be all that much different. I'm not persuaded that
12 the difficulty of preparing for trial or preparing those
13 overlapping witnesses would be significantly simplified.

14 And I do think that there is some risk, if I
15 were to grant the stay, of having to have a second trial. I
16 say that because if you just play the odds, it's likely that
17 at least one of the claims in the IPRs, the four IPRs on the
18 two patents, it's likely at least one of the claims is going
19 to emerge.

20 While there may well be an offer of judgment at
21 that point or some other point, obviously there has not been
22 an offer of judgment yet and there is nothing yet for Power
23 Integrations to accept, and I don't know if the offer will
24 ever be made or if it would even be accepted.

25 I also know that these patents have a long history

1 of fighting over almost everything, if not everything. In my
2 recent recollection, I know we had a trial that was on about
3 \$750,000 of damages; and I'll grant you that \$30,000 in
4 damages is a different neighborhood than \$750,000 damages, but
5 some might have thought there wouldn't have been a trial on
6 just \$750,000 damages.

7 So I don't really have the confidence that ON
8 has that granting this motion could make it quite likely
9 that I would not have a second trial. I'm afraid that I
10 would end up in a second trial. So overall, this factor
11 weighs against a stay.

12 The second factor is that the stage of this
13 case, it is quite advanced. It was filed nearly two
14 and-a-half years ago. We have a trial date, of course, of
15 next February. That date has been set for some time. And
16 it is not that far away.

17 I have done a lot on the case, including claim
18 construction, and you all have done a great deal on the
19 case. As I understand it, discovery is done, and we're
20 going to get your motions in the next couple of weeks. So
21 this factor clearly weighs very heavily against a stay.

22 Then, finally, I think that the requested stay
23 would unduly prejudice Power Integrations and might present
24 a clear tactical disadvantage to Power Integrations. And I
25 say that harking back to the limited damages that are at

1 stake, and I recognize they are set because the patents are
2 expired.

3 It may be, notwithstanding my prediction and
4 fear that I could end up with a second trial at which you
5 all are only fighting over \$30,000, it may be instead that
6 Power Integrations would feel, as a practical matter, feel
7 compelled to drop those two patents if I were to stay the
8 case and then claims from those patents emerge from the IPR
9 given the very small amount of damages. To the extent Power
10 Integrations might do that or even feel that pressure
11 significantly, I think that is unfair to them under the
12 totality of the circumstances here and would be a clear
13 tactical disadvantage to them.

14 In terms of the timing here, ON had the right to
15 wait until essentially the last day under which the statute
16 permitted them to file the last of their IPR petitions, but
17 that gets factored into the mix and cuts against granting
18 the relief sought. ON did move fairly quickly in this court
19 soon after the last of the institution decisions was
20 returned, but overall this third factor does not favor a
21 stay.

22 It's also true that the parties are, of course,
23 direct competitors. And as I have already alluded to and
24 you all know better than me engaged in an awful lot of
25 litigation against one another. And I think that would also

1 make it a somewhat odd outcome for me to take this very
2 tiniest of pieces of these very large and numerous disputes
3 between fierce competitors and say this is not going to go
4 to trial. So the motion is denied.

5 Are there any questions about that, Ms. Mayer?

6 MS. MAYER: No, Your Honor.

7 THE COURT: And Mr. Warden?

8 MR. WARDEN: No, Your Honor.

9 THE COURT: Okay. Thank you all very much.

10 Have a nice weekend. Good-bye.

11 (Telephone conference ends at 3:23 p.m.)

12
13 I hereby certify the foregoing is a true and accurate
transcript from my stenographic notes in the proceeding.

14

15 /s/ Brian P. Gaffigan
16 Official Court Reporter
17 U.S. District Court

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